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BIMETALLISM ;

A

Tract for the Times.

BY

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A TRACT FOR THE TIMES.

My subject is International Bimetallism. It is not to be disguised that there is, on the part of many public spirited citizens here at the East, a certain indisposition to consider this subject at the present time, a shrinking from the questions it involves. The reasons for this are not far to seek. In the first place, many, in opposing the free coinage of silver and working for the repeal of the purchase clauses of the Sherman Act, have thrown themselves naturally, though by no means logically, into an attitude of antagonism towards silver, which is not in conformity with the traditions of the American people, and which they would not have taken but for the severe struggle of the last three years and especially of the past summer. In the second place, people are tired and worn out with the still recent contest over free coinage and the purchase of silver bullion, and want a rest from the subject. This mental attitude, again, is natural enough, but it is nevertheless wrong. No question is ever settled until it is settled right. The repeal of the purchase clauses of the Sherman Act settled nothing. It but opened the way for a proper treatment of the financial problem. That problem must be grappled with until it is solved. There is neither statesmanship nor good citizenship in seeking to evade or procrastinate the issue it presents.

Another cause which helps to produce a certain indisposition to consider the Silver Question is found in the apprehension of many persons well inclined towards bimetallism, that to raise this issue will excite our fellow citizens at the West and South and increase their urgency

for free coinage. This view is held in good faith, but I must regard it as wholly mistaken. Our Southern and Western friends have got hold of a half truth, or rather a half truth has got hold of them and has produced among them something very like a fanaticism dangerous to the Republic. The half of the truth regarding money which actuates the South and West is that a diminishing money supply constitutes a great evil. The way in which the gold monometallists seek to meet this is by opposing to it a half truth of their own, namely, that an inflated, depreciated, and rapidly fluctuating money is a fruitful source of social and industrial mischief. But a half truth which excites to fanaticism has never yet been successfully opposed by another half truth appealing to conservatism. The only way to meet the dangerous demands from the West and South is by telling and urging the whole truth, which in this matter is found in bimetallism — bimetallism on a broad international basis, which would both secure the desired stability of the so-called Standard of Value and prevent the incontestable evils of a diminishing money supply.

Three successive questions are involved in the problem of bimetallism :

First. Is it economically desirable, and this in a high degree ?

Second. Is it economically practicable ? that is, if the system were set up, would it work successfully under the normal operation of the principle of self-interest, without any help from philanthropy, or public spirit, or patriotism — forces which will always enter to strengthen any beneficent system which will work of itself, but which never can be relied upon to sustain any system, however good, which cannot stand of itself against the full force of individual self-interest ?

Third. Is it politically and diplomatically possible ? That is, can the consent and coöperation of a sufficient

number of nations be secured to set up and sustain this system, if indeed it be economically practicable?

Let us consider these three questions in the order in which they are stated.

I. Is bimetallism desirable, and this in a high degree? I say in a high degree, because it is admitted that for no trivial or transient advantage would it be worth while to set up such a system. What, then, are the advantages which the bimetallist looks to that system to afford? What are the benefits which he expects it to confer upon production and trade?

(a) The establishment of at least an approximate par of exchange between silver-using countries and gold-using countries. The world is divided, roughly speaking, into two great groups — one using silver as money; the other, gold. Between the two there is no natural par of exchange. In all transactions between them the money of one must be sold for the money of the other, and sold at rates varying according to continually varying conditions of supply and demand. Bimetallism seeks to bridge the chasm between the two, with results of priceless benefit to trade, and through trade to production, the world over.

Before the bimetallic system was wrecked by the hostile act of Germany in 1873, a manufacturer in a gold-using country who produced goods for export to China, India, or South America, knew for how much silver he must sell them in order to make himself good for his outlay in gold at home. If the goods cost him 2,000 ounces of gold he had to sell them for something very close to 31,000 ounces of silver ($1 : 15\frac{1}{2}$) to make himself whole. In a word, there was an approximate par of exchange between the two halves of the commercial world, to the inexpressible benefit of both. Since 1873, however, trade between gold-using countries and silver-using countries has taken on the character of gambling transactions. The gains or the losses which might result to the trader from

fluctuations in the silver price of gold and the gold price of silver have far transcended the limits of ordinary commercial gains and losses. International trade has become little less than betting upon the price of silver at a future day. At times during the past twenty years that price has fluctuated more widely in a single month or week than it did during the whole period of seventy years while the bimetallic system was standing. A manufacturer may produce the right kind of goods, that is, goods which are wanted; he may make them of excellent quality; may send them to the right market, that is, to a market where they are in demand; may sell them there at a good price; he may sell them to the right persons, that is, to persons of commercial responsibility; and yet a fall in the price of silver between the time when the goods are made, or even when they are sold, and the time when he brings his silver home, may destroy the whole profit of the transaction, may even involve him in loss and possible ruin.

Is it possible for any one to question the advantage to commerce of the bimetallic system? It would not seem so, and yet there are some economists who are content to say, "Oh, well, what one man loses some other man gains." A poor argument, indeed! Is it not equally true that over the faro table or at roulette what one man loses some other man gains? If human history teaches anything, it is that unearned gains can never do the man who receives them a degree of good which at all compensates for the injury that is done to another by undeserved losses. Of all people, the leading gold monometallists of the United States — Mr. David A. Wells, Professor Sumner, and Mr. Horace White — are the last who have the right to disparage this consideration, since they are the very men who, between 1863 and 1879, most vehemently denounced the paper money of the United States on the ground that it rendered impossible a par of exchange between ourselves and the countries with which we traded, and re-

quired our merchants to sell, not only their goods, but, in turn, the money which they got for their goods. These men, speaking in public or writing for the press, declared that this was a monstrous evil, an evil so vast that no sacrifice and no effort could be too great for its removal.

The establishment of bimetallism would be like throwing a bridge across some deep, broad, and dangerous river which separated two important manufacturing cities. Without the bridge no man would know when he might ferry his goods across, what would be the degree of danger, what the cost. For days the stream might be swollen with floods, obstructed by ice, or tossed by high winds so as to make passage unsafe or perhaps impossible. Such an obstacle would not only add greatly to the cost of transportation and the time required, but to the hazards and perils of commerce between the two cities. *It would not be true that what one lost the other would gain. Both would lose together and lose heavily.*

It is not claimed that monometallism is incompatible with periods of prosperity, when trade flourishes without such a par of exchange as has been described, nor that the absence of bimetallism has been the cause of all the evils which have afflicted commerce and production during the last twenty years. There will be panics, crises, and hard times under any system. What we do assert is that bimetallism tends distinctly, directly, strongly to enhance the benefits and to diminish the necessary evils of international trade; and that, by consequence, with bimetallism shocks in trade come less often, are in themselves less severe, and, being modified and qualified by a beneficent arrangement, *are diminished both as to their severity and as to their duration.*

I have spoken of an approximate par of exchange. Without raising here the question whether an absolute par of exchange might not be established through a bi-

metallic system broadly founded, it is sufficient to show what is meant by the term I have used. In 1867 the mean annual rate at which the two metals exchanged, by weight, was 15.57 ounces of silver to one ounce of gold; in 1868 it became 15.60; in 1869 it remained at 15.60; in 1870 it was 15.58; in 1871, again, 15.58; in 1872, 15.63. Here we have a range of six in over 1,500 in the gold price of silver during six years; and of this range one half, three points, was first covered in 1872, on the very verge and in plain view of silver demonetization. During the five preceding years the range had been only three in over 1,500 — one in more than 500, less than one fifth of one per cent! A remarkably close approximation!

(b) The second of the advantages attributed to bi-metallism which I shall mention is one on which I shall not dwell long, although it is not of small importance. This is the greater stability of the compound mass formed of gold and silver, under the bimetallic system. The history of the precious metals is a story of highly spasmodic and intermittent production. At times the precious metals (speaking of them now as one) have poured in vast quantities from newly opened mines; at other times, production has languished, diminished, and almost ceased. From this have followed frequent and far-reaching changes in the value of the precious metals and, by consequence, in general prices.

But, while the production of the precious metals, viewed as one, has thus fluctuated widely from age to age, it is also true that the production of gold and the production of silver, taken separately, have varied greatly. At the time the bimetallic system was established in France, namely, 1803, three dollars' worth of silver was produced annually for a dollar's worth of gold. Fifty years later the ratio was only twenty-seven cents' worth of silver to a dollar's worth of gold. Now, with this tendency inherent in the production of the precious metals,

it is evident that, if the two could somehow be joined together into one mass, which should have a uniform or approximately uniform value-movement, the compound mass would possess a greater stability than the two bodies singly could have. It is possible that the tendency of the one to rise would be exactly counterbalanced by the tendency of the other to fall. It is, however, more likely that in each there would be some rise or some fall — the two moving together, but through a shorter distance than either would have done alone. This principle is incontestable. It has been clearly stated by the English monometallists — Bagehot, Jevons, and Cairnes.

(c) The third argument for bimetallism is derived from a consideration of the conditions existing. It has reference to the facts of wages, prices, and debts, upon the one hand, and to the quantity of each of the precious metals in use, upon the other. In a word, it is the argument from The Status.

To enter into this argument fully would require the citation of an enormous volume of commercial, financial, and industrial statistics, for which our time would not suffice. Let us follow only the broader lines of the subject, and refer only to the clearer facts. In the first place, the bimetallist asserts that there is not gold enough to do the business of the nations which have been drawn into or towards gold monometallism by the events of the past twenty years. In support of this assertion the bimetallist points to the terrific, the hitherto unprecedented, strain, growing steadily from bad to worse, under which the great commercial countries have been brought and kept in the unceasing contest for gold during the past twenty, ten, and five years; to the small visible stocks of gold over which the nations are thus struggling; and to the palpable inadequacy of the annual product to supply the waste of the existing body and provide for the continually increasing demands of commerce and finance.

On the last point the bimetallist finds evidence furnished ready to his hand by the leading gold monometallist writer of England, if not of Europe — Mr. Robert Giffen, of the British Board of Trade. In his Case against Bimetallism Mr. Giffen makes the following admission: "About two thirds of the gold annually produced is taken for the arts; and if the consumption of India is included, as being either for simple hoarding or for the arts, and in no case for the purpose of circulating money, then *the demand for gold for non-monetary purposes appears almost equal to the entire annual production*. The normal demand for money proper it is almost impossible to state, owing to the amount of recoinage and other difficulties; but it may be doubted whether the annual addition to circulating gold money, in normal years, can be anything nearly so great." In this connection Mr. Giffen quotes the estimate of Mr. Ottomar Haupt, of Vienna, that not less than seventy millions of dollars in gold, per annum, would be required to keep up the gold supply, repair waste, and provide for the increasing wants of commerce and banking. Such is the financial situation of the nations; and, looking at this alone, we are justified in saying that the case is rapidly growing worse. The military chests of Europe are all the time growing larger; and the banks, to strengthen their own reserves, are constantly increasing the strain upon the whole system. Such a condition is eminently unsound, and keeps trade and production constantly under the threat and imminence of a financial panic.

But it is not alone or chiefly the financial situation which interests us. Far more mischievous still have been the effects of a diminishing money supply upon industry and commerce. The period from 1873 to 1894 has been one of falling prices, incontestably due in some large degree to the increasing demand for gold. Other causes have, doubtless, contributed to reduce the prices

of many commodities, but enough remains to constitute a grave, a very grave, charge against gold monometallism. No condition is more discouraging and disheartening to the manufacturer and to the merchant than a continually falling market. Lower prices cut into the legitimate profits of production and trade, diminish industrial enterprise, and retard the productive investment of capital.

Some monometallic writers, indeed, have undertaken to prove that demonetization of silver has had nothing to do with the fall of gold prices. Such a proposition is, on its face, monstrous and absurd. If a number of nations have largely diminished their use of silver and largely increased their use of gold, this must have had the effect to lower prices expressed in terms of gold. To deny it is to deny that demand and supply determine value. In this connection Mr. Giffen remarks: "If we were told that copper or iron or wheat were rising because there was a deficiency of the supply of them to meet all the demands, we should accept the statement as a matter of course. But what is true of copper or iron or wheat must be equally true of any commodity which happens to be the standard monetary substance. If gold or silver is that substance, and gold or silver is increasingly in demand without any corresponding increase in supply, then people who want gold and silver for any purpose must give more for them." — *The Case Against Bimetallism*, p. 218.

Just how much of the thirty or thirty-five per cent that gold prices have lost in the last twenty years is due to silver demonetization, and how much to inventions and improvements affecting the production of certain commodities, no human being can tell, and it is not of the slightest consequence to know. With reference to this question Mr. Giffen says: "Two causes only have been suggested. One is the great multiplication of commodities and diminution of the cost of production, due to the progress of invention, etc. The other is, that the pre-

cious metal used for standard money, viz., gold, has become relatively scarcer than it was, its production being diminished, on the one hand, and the demands for it, on the other, increased. I am disposed to give greater weight to the latter." — *Trade Depression and Low Prices. Essays in Finance, 2d Ser., p. 22.*

What shall we add to the foregoing admissions? There is a class of political economists, steadily diminishing in numbers and influence, who attribute very little consequence to the status, and who deem the structure of industrial society of the smallest possible account. These are the economists of the *à priori* school, who treat all things industrial as if they were in a state of flux, ready to be poured indifferently into any kind of mold or pattern. If it is urged that such and such a course will disturb and distort industrial relations, lower prices, break down wages, or what not, these economists are always on hand with the answer that industrial society will "re-adjust" itself to the new conditions. These are the economists who say that what one loses another will gain. They are the same economists who used to assert that it would not matter if wages were at any time unduly depressed by combinations of employers, inasmuch as the excess of profits resulting would infallibly become capital, and, as such, constitute an additional demand for labor; and so the wrong would tend to right itself. It has been the teaching of the economists of this sort which has so deeply discredited political economy with the laboring men, on the one hand, and with practical business men on the other. The political economy of today recognizes the industrial structure as of the highest importance; it teaches that industrial injuries remain, deepen, and tend to become permanent; that sudden and violent changes are always to the prejudice of the least fortunate members of society — the poor, the ignorant, and the inert, those who have little capital, those who are distant from the market, those who

are at a disadvantage in the economic struggle, from whatever cause. It is with industrial society as it is with the human body. A certain portion of its substance is always in a fluid state, circulating unceasingly through the system, nourishing as it goes every part, every organ, every limb; but by far the largest part has taken on a permanent and unchangeable form which cannot be crushed or mutilated or punctured without serious, perhaps fatal, injury. The political economy which treats industrial society as in a state of flux, which regards undeserved losses as amply compensated by unearned gains of an equal amount, which declares that, whatever happens in the field of industry, readjustment will promptly and surely take place, is exactly on a par with the physiology which should assume that a tall, lank man could, by the pressure of a certain number of "atmospheres," be made over, at will, into a short, stout man of the same weight, without loss of life or energy.

To any political economist who regards the industrial structure as important, the steady shrinking of prices continued through a term of years, due to the increasing scarcity of the money supply, constitutes a tremendous force for evil. It is not alone that tens of thousands of millions of public, private, and corporate debts require a continually increasing amount of commodities to discharge the interest and principal of such obligations; it is not alone that the weight of the dead-hand is continually growing heavier upon the living and active forces of the present: these are matters serious enough; but the greatest part of the evil of a diminishing money supply is wrought through the discouragement of enterprise, through the diminution of legitimate profits, through the preference given to all investments of capital which result in a fixed charge upon production, over those which involve a participation in the gains or losses of active business. Look at the financial and industrial history of the past few

years! Everywhere the stockholder is giving way to the bondholder; everywhere we hear of "receiverships"; everywhere the mortgagee is coming into possession; everywhere the weight of the dead-hand is felt continually increasing.

II. I have spoken at what must seem great length of the reasons which make bimetallism desirable; of the advantages which the economist looks to bimetallism to obtain for mankind. Is such a system practicable? That is, if set up would it "work" under the normal operation of the principle of self-interest, without support from philanthropy, public spirit, or patriotism, which, as was before said, may be expected to reënforce any good system which can stand of its own strength, but which cannot be relied upon permanently to sustain any system, however good, which has not strength and stability in itself.

On the threshold of this inquiry we meet an objection which has closed the minds of many persons to a fair consideration of bimetallism. This objection finds expression in the phrase "the impotence of law to affect values." This expression is an especial favorite with the newspaper press, although it is not unknown to more permanent literature. Over and over and over again during the last two or three years have we seen our daily and weekly journals denouncing the folly of those who believe that law can affect value. Now, in this the monometallists have got hold of the truth, but it is by one leg only. There are countless historical instances of fruitless endeavors on the part of lawmakers and administrators to control values. During the French Revolution the government issued paper, by thousands of millions of francs, which it declared should be in all respects the equivalent of coined money of the same denomination; yet the paper steadily sank in value until it sank out of sight. The government made laws and decrees which fixed the prices of commodities in terms of paper money, but to no pur-

pose. The government made the export of specie a crime; yet specie flowed out of the country with a force which could not be checked. In our own Revolution the Continental Congress went through the process of issuing paper in enormous amounts, fixing the prices of commodities, forbidding the "forestalling" or "engrossing" of the market; but the normal operation of the principle of individual self-interest continually thwarted the intentions of the lawmakers. It was instances like the foregoing which gave rise to the proposition I have quoted, viz., that law is impotent to affect values. Yet there are numberless instances where laws have regulated values; and there is not a civilized country in the world at present where some law is not profoundly affecting, if not absolutely controlling, the value of some commodity. Laws often affect values when they were not intended to do so. Indeed, it is often very difficult to prevent laws from affecting values, even when they are passed for a very different purpose.

The truth of the matter is that law cannot affect values, much less control them, except as *it sets some economic force in motion*. Whenever law sets an economic force in motion it can and will affect values; and the degree in which law will affect values depends upon the extent of the economic forces which it puts into operation for that purpose. Had it been said that "law cannot create value," that is, add to the sum of wealth, much might be urged in defense of this proposition; but to say that law cannot affect values, that is, change the relative values of different things, is preposterous. As regards bimetallism, then, the question simply is, Can government set in motion any economic force which will affect the relative values of gold and silver? I answer yes, incontestably; and that force is one of enormous scope and reach. By declaring the two metals indifferently legal tender in the payment of debts, at a certain ratio, it can at once and powerfully

influence the demand for one and the other of the two metals. This was exactly what France did by the law of 1803, which established the bimetallic system. By that law France declared that an ounce of gold, in coined money, should have precisely the same power to pay debts as that possessed by $15\frac{1}{2}$ ounces of silver, in coined money. The operation of this principle was simple, instantaneous, automatic, and of overwhelming force. If at any time either of the two metals became less valuable, at the legal ratio, every debtor instinctively sought coin of that metal with which to meet his obligations, in preference to coin of the other metal. This increased the demand for the cheaper metal, and by that very act decreased the demand for the metal which was becoming dearer in the market. Thus, through its power to regulate the payment of indebtedness, the government practically threw its weight upon that one of the two metals which tended to rise and kept it down. No one wanted the dearer metal to pay debts with; every one wanted the cheaper metal for that purpose; and, since the volume of indebtedness coming due every day in any commercial country is very large, the force thus invoked was sufficient to produce an enormous economic effect. It was not at all because the French government declared that one part of gold should be worth $15\frac{1}{2}$ parts of silver, that this result took place; but because the French government set in motion competent economic forces to that end.

Such was the French law, such the bimetallic system which remained in operation from 1803 to 1873. How did its actual operation correspond with the theory upon which it was based? I answer, this system accomplished its purpose to a degree which is truly marvelous when one considers the tremendous power of the forces by which it was most unexpectedly assailed. As before stated, in 1803 about three dollars' worth of silver was being produced for every dollar's worth of gold. In 1809 began

that long series of revolutions and rebellions in Mexico and Spanish South America which destroyed the mining industry of those countries, so that silver production fell off with frightful rapidity. Then gold was discovered in the Ural Mountains and in the auriferous sands of Siberia; yet the bimetallic system held. Still, gold and silver stood to each other closely in the ratio of 1 to $15\frac{1}{2}$. In 1848 came the discovery of the marvelous gold fields of California, of a richness never before intimated in the history of the world, and, only three years later, the gold discoveries of Australia. *Within twelve years the stock of gold in the hands of civilized men was literally doubled!* Statesmen and financiers were aghast at the enormous volume of the new gold. It seemed inevitable that the bimetallic system should break down under this strain. Gold threatened to become so cheap, in comparison with silver, as to render the maintenance of the ratio of 1 to $15\frac{1}{2}$ no longer practicable. Chevalier, the great French monometallist, declared that gold was likely to fall at least one half. Yet the statesmen of France held firmly to their principle. It was not until the gold crisis had completely passed by and silver in its turn, years later, was becoming a little cheaper than gold, that the bimetallic system encountered the blow under which it finally succumbed. And this time it was not natural and commercial forces, but purely political acts, which led to its downfall. In 1873 Germany, which had been one of the greatest silver-users of the world, abandoned silver coinage and undertook to pass over to the gold-using countries. By this action Germany threatened the market with a vast amount of her accumulated silver, while at the same time she entered the market for gold as an extensive buyer. This action I believe to have been wholly uncalled for. Had the statesmen of France in that critical period possessed the same courage and confident conviction as those who ruled France during the gold deluge, there is reason to

believe that the bimetallic system might have again vindicated itself, even against this new force, operating this time to depreciate silver instead of gold. But France was prostrate in defeat, sore with the wounds of war, her fields devastated, two of her fairest provinces wrested from her, while victorious Germany demanded five thousand millions of francs as a war indemnity. Under circumstances so adverse it is small matter for wonder and none for blame that France gave way, abandoning the system which had wrought such immense benefits to mankind, and for the time closed her mints to silver. Thereupon followed twenty years of progress towards gold monometallism. HAVE THESE TIMES BEEN SO GOOD THAT WE WANT ANY MORE OF THEM? HAS OUR FIRST EXPERIENCE OF APPROACHING GOLD MONOMETALLISM BEEN SO FAVORABLE AND FORTUNATE THAT WE SHOULD DESIRE TO SEE FURTHER PROGRESS IN THE SAME DIRECTION, AND TO WITNESS THE COMPLETE CONSUMMATION OF A FINANCIAL SYSTEM BASED UPON GOLD ONLY?

Is there anything in the foregoing recital which is controversial or questionable? I answer no. The part which the French system played during the seventy years covered by this narrative, especially during the gold deluge, has been acknowledged in the fullest manner by gold monometallists of the highest authority. The British Royal Commission of 1887-88, presided over by Lord Herschel, unanimously declared—all twelve members concurring—that it was the French system which from 1803 to 1873 maintained an approximate par of exchange, a substantial parity, at the legal ratio, between gold and silver during that period.

“It is upon this principle,” said Professor Jevons, writing in 1874, “that we must explain the extraordinary permanence of the ratio of exchange of gold and silver. *That this fixedness of ratio does not depend upon the amount and cost of production* is proved by the very slight effect of the Australian and Californian discoveries.”

Mr. Walter Bagehot, the editor of the London *Economist* and the author of the well-known work *Lombard Street*, says of the countries maintaining the bimetallic system: "Whenever the values of the two metals altered, these countries acted as equalizing machines. They took the metal which fell; they sold the metal which rose; and *thus the relative value of the two was kept at its old point.*"

But it might be said, indeed it has frequently been said: France did, it is true, accomplish this result of holding the two metals closely together, and in doing so conferred a benefit upon mankind; but it was at a great loss to herself. This is the last contention of the gold monometallists when driven out of every other position. Now, if it be true that France suffered long and greatly from bimetallism, it is curious that her remarkably able and sagacious statesmen and financiers never discovered or even suspected it. Frenchmen have generally shown an excellent ability to look out for their own interests. Said M. Denormandie, one of the delegates from France in the International Monetary Conference of 1881:

"One sees demonstrated by facts, with crushing evidence, the superiority of the double over the single standard. In 1837-38-39, a violent crisis raged in America. The federal treasury withdrew its deposits from the United States Bank, and inundated the English market with American paper. At London the situation became extremely serious, and the metallic reserve of the Bank of England fell from two hundred million francs to seventy-five million. . . . The Bank of England was even forced to recur to the Bank of France, which loaned it fifty million francs in credit values — itself, thanks to the French bimetallic system, scarcely feeling any shock from the catastrophe at New York and London.

"In 1848 raged the 'wheat crisis,' common to both countries. The act of 1844 was suspended in England; loans ran only for thirty days; numerous failures upset the mar-

ket, and discount rose to eight per cent. In France the crisis was promptly alleviated by selling to Russia national *rentes* to the sum of fifty million francs, and discount was maintained at five per cent.

"In 1857 a new monetary crisis, answering to the crisis in America, occurs in France as in England; and this time, too, it is much the less intense on the French side of the Channel. The Bank of France is forced to raise its rate of discount to ten per cent, but only for fifteen days; while the Bank of England, whose gold had been in some sort drained by the United States, sees itself constrained to maintain for six weeks its discount at the excessive rate of ten per cent.

* * * *

"In 1866, through the imprudent over-development of societies with limited responsibility, a new monetary crisis manifests itself, this time more intense. The Bank of England, attacked by the withdrawal of specie from circulation and by the exhaustion of its note reserve, again obtains the suspension of the act of 1844; and the rate of its discount varies, between January and the following July, between six, eight, and ten per cent. During this same year the mean rate of discount at the Bank of France is not above four and one half per cent.

"Thus, in all the crises that have arisen, at epochs so diverse, in circumstances so different, one sees the Bank of France less distressed than the Bank of England. In forty-five years, from 1837 to 1881, the former modifies the rate of discount only one hundred times; the latter does this two hundred and ninety-two times. We may affirm without rashness that the French monetary system is not without influence in this result. The power which France possesses of recurring, alternatively or simultaneously, to the two metals permits her not only to employ the one or the other according to circumstances, and to allay the effects of their alternating scarcity, but also to

come to the relief, not without profit to herself, of those of her neighbors who want, now gold, now silver."

If, then, France, with the assistance of three not important commercial countries, and that for a small portion of the time, *i. e.*, from 1865-73, could so far affect and control the relations of gold and silver, the whole world over, through a period of seventy years, and this a period marked by great fluctuations in the production of the precious metals, what might not be expected from a bimetallic league composed of France, England, Germany, and the United States, with their natural monetary allies and dependencies? Every state which should join the bimetallic league would add to its strength in two ways: first, by contributing to the stock of the metal which should at any time tend, under the influence of natural or commercial causes, to become the dearer; and secondly, by withdrawing itself from the list of those which in such a case would contribute to the demand for that metal.

But one thing more remains to be said in this connection; that is, in reply to the allegation of the monometallist writers that the course of events in France which has been recited did not constitute a genuine case of bimetallism. If these writers may be permitted to impose their own definition upon us, their contention can to a considerable extent be made good. What they say is, that France from 1803 to 1873 did not enjoy the concurrent circulation of the two metals, but only an alternate circulation, now of one and now of the other; and this, they declare, is not bimetallism at all. Therefore, according to their view, there is no great historical instance of the success of bimetallism.

If, on the other hand, we may be permitted for ourselves to say what we mean and propose by bimetallism, the criticism in question does not touch our case at all. We flatly deny that bimetallism necessarily involves the

concurrent circulation of the two metals. There is some reason to believe that the French statesmen of 1803 really expected that concurrent circulation would result; but no bimetallist nowadays makes the concurrent circulation of the two metals in the same country a necessity of that system. If it results only in establishing an alternating circulation the chief results of bimetallism will still be achieved, as they were by the action of France.

The three great purposes of bimetallism are, as we have stated them: first, the establishment of an approximate par of exchange between gold-using and silver-using countries; second, a higher degree of stability in the money-mass compounded of the two metals than would be attainable under monometallism; third, to prevent the disastrous results which might otherwise follow the rapid depreciation or appreciation of one of the money metals, through its increasing abundance or scarcity. All these objects were nearly as well secured, for the purposes of the world's commerce and production, from 1803 to 1873 as if there had been concurrent circulation of the two metals, in equal quantities, in France. So long as France secured these great benefits to mankind no one but the French could be interested in the question whether the actual money of that country at any given time was nearly all gold, or nearly all silver, or composed of gold and silver in nearly equal quantities. The French, indeed, had the right to object to this alternation of gold and silver in their currency; but they did not do so, and it is a great pity, since they were satisfied, that our American monometallists should break their hearts over it.

But, while we resist and repel the attempt of the monometallists to impose upon us any definition of bimetallism which makes the concurrent circulation of the two metals, in any country, a necessary condition, we hold that there is nothing unreasonable in the expectation that

the union of a number of important commercial countries, with a common ratio of free coinage of both metals, would so far increase the stock of the metal which at any time could become subject to drain, through its relative scarcity; and would so far diminish the possible demand for that metal for use outside the bimetallic circle as to prevent all appreciable variation between the two, and thus secure practically their indifferent and concurrent circulation. If France alone could do all she did, against the tremendous forces operating to produce a wide divergence between gold and silver, why might not England, France, Germany, and the United States, with their natural monetary allies and dependencies, secure the perfect success of bimetallism? That this is no chimera is shown by the admission of Professor Lexis that it would be both theoretically and practically possible to put a stop to all preference for either of the two metals outside "the bimetallic basin." But, as I said, this is not an essential condition of bimetallism; its prime objects can be fairly well attained with alternate circulation only.

III. Is bimetallism politically and diplomatically possible, that is, can the consent and coöperation of a sufficient number of important commercial nations be secured to establish the bimetallic system on a broad and enduring basis? We reach here what is mainly a field of conjecture. No one can speak with confidence on the subject; but at least it would at present appear that the key of the situation is in the hands of England. France is not likely to take the initiative in the matter. That country for seventy years sustained the bimetallic system to the inexpressible benefit of mankind; yet, when that system was temporarily broken up by the action of Germany, France was treated by the gold-monometallic nations generally as if she were asking something for herself in the efforts made for the restoration of silver coinage. France, naturally enough, got tired of this, and now stands on her

dignity in relation to the matter. In the struggle for gold she has put herself into the best position of all the nations, and rightly feels that she can bear the strain as long as the rest of them.

Germany, on the other hand, stands in the attitude of having brought about the present situation. The hardest thing that humanity knows is to confess that one has been in the wrong, especially when the consequences have been highly injurious to others. For Germany to take the initiative in the restoration of silver would be to confess that she did an unwise and mischievous thing in 1873. Germany could, however, follow England in such a movement without injury to her pride and without loss of prestige.

What can the United States do? The United States has already done too much, in an active way, in its well-meant but injudicious efforts to promote bimetallism. Our coinage of two millions a month, under the Bland-Allison bill of 1878, was directly against the interests of bimetallism; while our purchase of four millions five hundred thousand ounces of silver bullion a month, under the Sherman act of 1890, was an even worse strategic blunder. By these acts we simply put our own fingers in the door and took the squeezing which belonged by right to England and Germany, which had brought about the trouble. The remonetization of the silver dollar in 1878 was all right; but our actual coinage should have been limited to what was needed for souvenirs and numismatic collections. After 1876 the true policy of bimetallism required that silver should be at once allowed to fall to the bottom without any attempt to bolster it up. In that situation it would here have been for the common interest of all the nations equally to restore it to its place. By procrastinating this catastrophe for fifteen years we have simply obscured the issue and enabled our adversaries to declare, with some show of reason, though still falsely, that it is the large silver production of the period which

has brought about this result ; whereas, had the fall taken place at once, no one could have been so blind or prejudiced as to fail to see that it was silver demonetization, and not silver production, which caused this tremendous effect after the comparative stability of the seventy preceding years. The best thing we can do now is to thoroughly instruct our people in the true principles of the subject, keep our forces well in hand, and await events. Bad as the situation is for each and for all, we can stand it longer than Europe. We are richer, freer, stronger than the greatest of its nations ; we have a much wider margin of living ; we have vast undeveloped resources which contain the possibilities of indefinite wealth.

To England, on the other hand, the events of the past twenty years have brought continually increasing disasters, which are fast teaching her people that the selfish position which she assumed in 1816, when she became a gold-monometallic nation, and which enabled her for a long time to reap a profit from the fluctuations of international commerce, is no longer tenable. The change of English sentiment during the past ten and five years, and especially in the last two years, has been truly remarkable. The universities and colleges have become bimetallist. I do not know of a single British professor of political economy who is a gold monometallist ; while several, and these the most distinguished, are active, working bimetallists. The East Indian interest is, as it has always been, for bimetallism. The cotton spinning interest is bimetallist ; the shipping interest is bimetallist ; the agricultural interest is bimetallist. The Irish, under the leadership of Archbishop Walsh, are fast coming into line for bimetallism. A selfish, shallow, supercilious gold monometallism is intrenched today in the London banking interest and in the London city press ; but tomorrow it may be driven from even this refuge. Lord Herschel's commission of 1887 divided six and six on the question of practical par-

ticipation by England in a bimetallic league. Since that time one of its ablest monometallist members, Mr. Leonard H. Courtney, has become a bimetallist. Mr. Balfour, the conservative leader of the House of Commons, is a fighting bimetallist. The recent grotesque failure of the British government to fill the break in the great dam of its Indian finances has only added strength to the bimetallist argument. Changed conditions like these have for the first time created a reasonable hope that England may yet take the lead in restoring silver to its true place in the commerce and exchanges of the world. At any rate, this is our "best hold ;" and with it, for the present, we must be content.

Boston, February 21, 1894.

